

ANALYSIS OF ORIGINAL BILL

Author: Hurtt Analyst: Kristina North Bill Number: SB 1997

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: 02/20/98

Attorney: Doug Bramhall Sponsor:

SUBJECT: School Volunteer Credit

SUMMARY

Under the Personal Income Tax Law (PITL), this bill would allow credit for time spent as a volunteer in any public or private school, grades K-12.

EFFECTIVE DATE

This bill would apply to taxable years beginning January 1, 1998.

LEGISLATIVE HISTORY

AB 283 (1997), AB 2791, AB 365 (1993/94)

SPECIFIC FINDINGS

Current federal and state laws do not provide for a charitable deduction or a credit for the contribution of services. However, both allow a charitable deduction for unreimbursed expenses related to rendering contributed services. Deductible unreimbursed expenses include transportation costs, teaching materials, uniforms, etc.

This bill would allow a \$2 per hour credit for time spent as a volunteer in any public or private school, grades K-12, excluding time volunteered in religious instruction or other religious activities.

Since **this bill** does not specify otherwise, the general rules regarding tax credits would apply. This tax credit would not reduce regular tax below the tentative minimum tax for alternative minimum tax purposes.

Policy Considerations

This bill does not contain a sunset date. Most credit bills provide a sunset so the Legislature may review their effectiveness.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___X___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO ___

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department Director

Date

G. Alan Hunter

3/30/98

Agency Secretary

Date

By:

Date

This bill does not limit the credit for time volunteered to schools in the State of California.

Certain programs in California public schools require volunteer time from parents of children enrolled in those programs. Parents participating in those programs would receive a credit for behavior that is already required, while credits are generally enacted to encourage some type of behavior.

Implementation Considerations

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

- ◆ Definitions are needed for "qualified taxpayer," "religious instruction" and "other religious activities." Also, it is unclear if a "private" school would include home schools.
- ◆ This bill provides a credit for time volunteered in any elementary or secondary, public or private school, grades K-12, but does not provide a verification process certifying how much time was volunteered, by whom, for what school, and whether religious instruction or religious activities were excluded from time volunteered. Therefore, this department would have difficulty processing this credit.

Technical Considerations

Credits generally begin with "For each taxable year beginning on or after January 1, 1998," so that the operative date is clearly stated for historical reference, as is standard for credits.

FISCAL IMPACT

Departmental Costs

Once the implementation concerns are resolved, this bill should not significantly impact the department's costs.

Tax Revenue Estimate

Based on data and assumptions discussed below, this bill would result in revenue losses as shown in the following table:

Estimated Revenue Impact of SB 1997 Enactment Assumed After June 30, 1998 (In \$Millions)			
Fiscal Years	1998/99	1999/00	2000/01
Revenue Impact	(80)	(82)	(84)

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Tax Revenue Discussion

Revenue losses would depend on the number of qualified volunteers, hours of services contributed, and tax liabilities of affected taxpayers.

It is assumed only schools located in California would qualify taxpayers for this credit. It is assumed parents teaching their children at home would not be eligible.

According to the Department of Education, there were nearly 8,000 public and over 4,300 private schools (with six or more students) grades K-12 in California during the school year 1996/97. Many schools have volunteers for athletic and music programs, in addition to regular classroom assistance. The number of qualified volunteers or the number of contributed hours per year are not available, but would be significant. In order to estimate the potential revenue impact, if only 2% of California households (over 11,500,000 in total for 1998) would volunteer an average five hours per week during the 35-week school year to California schools grades K-12, the equivalent of 2 workyears per school in total hours (i.e., 2 x 1,650 hours) would be claimed for this credit. The magnitude of annual revenue losses would be on the order of \$80 million (12,300 schools x 3,300 hours/school x \$2/hour = \$81,180,000).

BOARD POSITION

Pending.